

ALASKA STATE LEGISLATURE
JOINT COMMITTEE ON LEGISLATIVE BUDGET AND AUDIT

May 7, 2001
9:10 a.m.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Randy Phillips
Senator Lyman Hoffman
Senator Gary Wilken, alternate

Representative Hugh Fate, Vice Chair
Representative John Harris
Representative Ken Lancaster

HOUSE MEMBERS ABSENT

Senator Jerry Ward
Senator Dave Donley

Representative Eldon Mulder
Representative Reggie Joule
Representative William Williams, alternate
Representative John Davies, alternate

COMMITTEE CALENDAR

APPROVAL OF MINUTES
AUDIT REPORTS
OTHER COMMITTEE BUSINESS

WITNESS REGISTER

PAT DAVIDSON, Legislative Auditor
Division of Legislative Audit
333 Willoughby Avenue
PO Box 113300
Juneau, Alaska 99811-3300

POSITION STATEMENT: Spoke on behalf of the Division of
Legislative Audit.

DAVID TEAL, Legislative Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
PO Box 113200

Juneau, Alaska 99811

POSITION STATEMENT: Spoke on behalf of the Legislative Finance Division.

ACTION NARRATIVE

TAPE 01-05, SIDE A
Number 0001

CHAIR THERRIAULT called the Joint Committee on Legislative Budget and Audit meeting to order at 9:10 a.m. Present at the call to order were Senators Phillips, Wilken, and Therriault, and Representatives Harris, Lancaster, and Fate. Senator Hoffman arrived after the call to order.

APPROVAL OF MINUTES

CHAIR THERRIAULT indicated the first order of business would be the approval of minutes from the Legislative Budget and Audit meeting held on March 29, 2001.

Number 0119

VICE CHAIR FATE made a motion to approve the minutes from the March 29, 2001, meeting. There being no objection, the minutes were approved.

AUDIT REPORTS

CHAIR THERRIAULT stated that the primary reason for this meeting was to consider four audit requests before the interim. The first audit request was from Senator Drue Pearce, dated April 5. He asked Pat Davidson [Division of Legislative Audit] if she knows exactly what Senator Pearce is looking for.

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, replied that "we" have worked with Senator Pearce on this audit request, and therefore have an understanding of the intent. She remarked that Senator Cowdery has voiced some questions and concerns with regard to the contract. However, she believes that they will be addressed in this audit request.

CHAIR THERRIAULT asked if this separate audit request would be covered.

PAT DAVIDSON remarked that Senator Cowdery had concerns that went beyond this audit request.

Number 0183

VICE CHAIR FATE made a motion to approve the first audit request, for the Department of Transportation and Public Facilities - Ted Stevens Airport Terminal Redevelopment Project, Selected Issues. There being no objection, the audit request was approved.

CHAIR THERRIAULT announced that the second audit request would be Senator Cowdery's request regarding the airport. He asked Ms. Davidson what Senator Cowdery is specifically looking for.

MS. DAVIDSON stated that Senator Cowdery's interest lies in the impact of the design specifications' failing to meet the seismic standards, including what happens in relation to costs, lost revenues, impacts of the timeline, and the funding source to compensate for that failed design.

VICE CHAIR FATE made a motion to approve the second audit request, regarding the Department of Transportation and Public Facilities - Ted Stevens Airport Terminal Redevelopment Project Design Specifications and Specific Issues. There being no objection, the audit request was approved.

CHAIR THERRIAULT announced that the third audit request, relating to the governor's use of an aircraft and its expenses, was from Senator Pearce and Senator Taylor. He noted that Senator Taylor has brought this issue forward a number of times.

VICE CHAIR FATE made a motion to approve the third audit request, regarding the Department of Public Safety - King Air Aircraft usage FYs 00 and 01. There being no objection, the audit request was approved.

Number 0458

CHAIR THERRIAULT announced that the fourth audit request was submitted by Senator Green regarding the Department of Fish and Game, Division of Wildlife Conservation Public Information and Training Education Program. He noted that he has not spoken to Senator Green about this, and wondered how long Ms. Davidson had been working on it with her.

MS. DAVIDSON replied that this was discussed with Senator Green's staff on Friday.

CHAIR THERRIAULT asked if she wants just an accounting on the program or is looking for something in particular.

MS. DAVIDSON answered that she believes "they" are looking at whether the program run by the Department of Fish and Game is in total compliance with its federal funding source, the Pittman-Robertson funds.

Number 0522

SENATOR PHILLIPS asked when the last audit was done on them.

MS. DAVIDSON replied that it has been a number of years since an audit was done on hunter safety. She noted that generally compliance with federal programs is looked at on an annual basis. However, [audits] are often set up on a rotating basis.

Number 0559

REPRESENTATIVE FATE made a motion to approve the fourth audit request, regarding the Department of Fish and Game, Division of Wildlife Conservation Public Information and Training Education Program. There being no objection, the audit request was approved.

CHAIR THERRIAULT asked Ms. Davidson when preliminaries would be done on these audit requests.

MS. DAVIDSON replied that with audits from this meeting and the last one, she expects that [the division] will be busy for the next six months. However, she expects that these audits will be completed by the end of the interim.

OTHER COMMITTEE BUSINESS

Number 0616

CHAIR THERRIAULT stated that Ms. Davidson has requested approval for an expenditure for modular workstations in the Division of Legislative Audit. They have (indisc.) equipment, desks and partitioned walls over the past years to refurbish their workspace. He went on to say that they have been frugal with the money that was budgeted for them this year. The division would like to use some of the surplus money to purchase new modular workstations for the auditors. He noted that there was a memorandum from Ms. Davidson in committee packets.

MS. DAVIDSON reiterated that the Division of Legislative Audit is frugal and watches "general services and supply" fairly closely. For example, [the division] almost received furniture from the Division of Retirement and Benefits, which was redoing its space; however, due to space constraints in the division's office, eight-by-eight standard cubicles are not possible. Therefore, substandard-sized cubicles are necessary in order to be within space constraints.

VICE CHAIR FATE made a motion to approve the procurement request for up to \$75,000. There being no objection, the request was approved.

Number 0737

CHAIR THERRIAULT stated that the final business was the [Alaska School Operating Cost Study] report regarding minimum expenditure for instruction, which was dictated when SB 36 was passed. Statutes say that after the report is done, it needs to be submitted to the Joint Committee on Legislative Budget and Audit for review. He noted that members of the legislature would be made aware that it is available for review.

Number 0778

SENATOR WILKEN explained that this report is the result of education reform done three years ago. One of the good things that resulted from SB 36 was finding out that four school districts were spending 50 percent more [of their operating budget] outside of the classroom than inside the classroom. Therefore, a goal of 70 percent was set, which was adjusted last year as the department attempted to redefine [the percentage] with and without the classroom. A compromise of 65 percent [of the operating budget that should be spent on instruction] resulted. Those districts that don't meet the goals must come before the board and explain why they didn't. He pointed out that the effort is not to be punitive, but to be corrective in an attempt to place money in the classroom and not in administration.

SENATOR WILKEN directed attention to page 9 of the report. He noted that two school districts, the Annette Island and Chatham School Districts, had failed to meet the minimum requirement and to explain why that 65 percent minimum requirement couldn't be met. The top of page 10 specifies the penalty that is set forth in statute. Those districts had to appeal to the Alaska State Board of Education & Early Development, which granted those

districts a waiver. Senator Wilken provided the committee a letter from Susan Stitham, Chair, Alaska State Board of Education & Early Development, which responds to Senator Wilken's charge that the board's action was outside the statutes; he said Ms. Stitham was outside the law because the law simply doesn't allow the argument used to not implement corrective action for these two school districts. Senator Wilken reiterated that this is not meant to be punitive but rather corrective.

CHAIR THERRIAULT remarked that it will take some time to sit down and read the report. He requested that the members take the time to do so because education funding is the largest part of the state operating budget.

Number 1035

SENATOR WILKEN turned to the capital budget and pointed out that there is a \$350,000 for the Alaska School Operating Cost Study. Senator Wilken expressed his distress with the House's moving [the deadline for the study] to March 2002. He felt that was a terrible decision that was driven by politics rather than rational thought. He said, "That effort is going to be monumental, at best. It's never been done before. And it affects every kid in our school [districts]; it affects every parent of every kid." Therefore, the last thing that anyone wants is to have a weak study that becomes a "political football" during campaign time. He pointed out that this study has to produce a product much like the exit exam, and that is it has to be valid and reliable for what it measures. Absent a credible study, people will continue to fall back on the district cost factors as a reason why money isn't put into education. Senator Wilken said, "You have to continue to beat down these doors of excuses why people don't want to support K-12 education; this is one of them." If this study is done correctly, he said, that argument will be laid to rest. However, Senator Wilken maintained that March 2002 is too soon. He said it rests with Chair Therriault to see that it is done correctly; however, he offered his help.

CHAIR THERRIAULT noted his understanding of Senator Wilken's concern.

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, said he agreed with Senator Wilken's opinion. Mr. Teal informed the committee that he had worked with the McDowell Group during the writing of the

previous study, which was incorporated into SB 36; therefore, he is familiar with the cost factors. He indicated that an early date for the study will provide an excuse for why it wasn't done correctly, and said the study will not be done correctly with a March 2002 deadline.

MR. TEAL said perhaps the study could be done correctly if the request for proposals (RFP) "went out the door," if there were no concerns or protests, and if the bid was awarded quickly. Therefore, it is possible to complete the study by March [2002]. However, he didn't foresee the procurement process getting money on the street that quickly. Furthermore, it is going to be difficult to set up because school isn't in session during the summer. It will be difficult to really get started on this study until September or October, and then the information from communities across Alaska must be gathered, which takes time. With the March [2002] deadline, the desired study will not be produced.

SENATOR WILKEN recalled that the study for SB 36 found, surprisingly, that 53 schools didn't have a common chart of accounts. Therefore, the department has been working on having a common chart of accounts throughout the school districts. He asked to how that process is progressing.

MR. TEAL answered, "Firsthand, I don't know," but said staff hired [for that purpose] have been working on it long enough that the system should be vastly improved. However, he pointed out that this study says not to look at the chart of accounts but rather to look at [cost factors in the community]. He said, "That's the directive you've got here. It's not a school cost factor anymore; it's a cost-of-living study."

SENATOR WILKEN interjected that it is the cost of education, which is different from the cost of living. "This is the issue we have in front of us," he added.

CHAIR THERRIault asked where the capital budget is on the House side; after determining that the capital budget was [in third reading on the House floor], he indicated this could still be fixed.

REPRESENTATIVE LANCASTER said there had been discussions on that in the House Finance Committee, which is where the date was changed per the request of Eddy Jeans, Department of Education & Early Development.

REPRESENTATIVE HARRIS clarified that he believes Mr. Jeans agreed with Senator Wilken's position. However, he believes that at the time there may have been some negotiations that changed Mr. Jeans' opinion. Still, Representative Harris said he felt it could be revisited.

Number 1431

CHAIR THERRIAULT emphasized the need to be concerned with this because this is going to rely on his staff. He indicated he would speak with Speaker Porter on this matter so that time and money were not wasted [with a poor study] that allows the aforementioned argument.

SENATOR WILKEN informed the committee that Mr. Jeans had testified in both the House and Senate Health, Education & Social Service Committees and Finance Committees, prior to the other night, that 2003 is the appropriate date. Senator Wilken said:

If this creates a great big rift, then ... the burden will be ... on us to have the strength next year in March to say to the people who are winning ..., in the numbers, that we're not going to have a report because it's not valid - because the people that are losing are going to be exactly where we were three years ago, with exactly the same arguments and exactly the same issue. ... It affects everybody, and that cost differential ... is very significant in the overall funding. ... If ... [the House] doesn't want to set things aside and go through this, ... that's fine, but we need to know, then, that that rests on our shoulders to make sure that ... we have the strength next year to say, "No, we don't have it to the point where to let it out to the public."

Number 1552

SENATOR PHILLIPS asked whether Mr. Teal is suggesting a January 2003 or a July 2003 deadline. As a former chair of the Joint Committee on Legislative Budget & Audit, Senator Phillips said, "You're not going to be able to make it."

MR. TEAL remarked that he didn't believe [January or July] would matter that much. He suggested that if the study came out in September, for example, the legislature would be able to review it, versus if it came out in January. Although there is no

reason to delay it for an entire year, he did believe that another six months would be beneficial. Last time, there wasn't time to "do the study right," although "we" did the best we could with the time allotted. Mr. Teal said he believes the legislature wants the best study possible, not just the study possible within the timeframe.

CHAIR THERRIAULT referred to Representative Wilson's bill, HB 203. He pointed out that quite often the budget bills are held past the end of the session before being transmitted to the governor for his action. Therefore, "it puts us out quite a ways before we get it." He related his understanding that the [committee] cannot begin the RFP process until the appropriation is obtained.

MR. TEAL said he isn't sure whether it is law or policy, but it is firmly enforced that the RFP process isn't started until the money is in hand.

CHAIR THERRIAULT pointed out that there are also time requirements for the requests. At the earliest, he projected that the process couldn't begin for three or four months.

MR. TEAL remarked that [it could be anyone's guess] as to whether there are challenges and protests. However, even without challenges and protests and the money being available quickly, the necessary information from the school districts won't be obtained until they return to work in December.

Number 1684

SENATOR PHILLIPS interjected that there is no question that there will be challenges.

MR. TEAL commented that it is too much money to not have a challenge.

SENATOR PHILLIPS said he believes Senator Wilken's judgment call is correct.

SENATOR WILKEN expressed the need to view this study as a ten-year project rather than a mere \$350,000 contract.

Number 1737

MS. DAVIDSON, in response to Senator Phillips, said she anticipates some preliminary reports at the end of June, with the next set arriving in mid-September.

CHAIR THERRIault said that he didn't plan to have monthly meetings, which don't seem necessary. However, he didn't want audits to sit. He announced that he would work with the members' schedules. The meetings will likely occur in Anchorage, he noted, although there may be meetings held in Fairbanks when it is cost-effective to do so.

ADJOURNMENT

There being no further business before the committee, the Joint Committee on Legislative Budget and Audit meeting was adjourned at 9:40 a.m.